

## Message Text

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ACTION EB-07

INFO OCT-01 EA-09 IO-14 ISO-00 EUR-12 AGR-01 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05  
SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02  
FEAE-00 OMB-01 /120 W

-----151238Z 076143 /53

P 150830Z JUN 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 4506

AMEMBASSY TOKYO

AMEMBASSY TAIPTI

AMCONSUL HONG KONG

US MISSION GENEVA 420

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HONG KONG FOR REG FIN ATT

GENEVA FOR USDEL MTN

E.O. 11652: NA

TAGS: ETRD, EGEN, EIND, EAGR, MTN, GATT, KS

SUBJECT: SELECTIVE IMPORT LIBERALIZATION PROVIDED IN KOREA'S  
SECOND HALF 1977 TRADE PLAN

REF: SEOUL 4941

SUMMARY: PROVISIONS IN THE ROKG'S TRADE PLAN FOR THE 2ND  
HALF OF 1977 SHIFT 22 IMPORT ITEMS TO AUTOMATIC APPROVAL  
STATUS, EASE IMPORT RESTRICTIONS FOR 14 OTHERS, AUTHORIZE  
A POLICY OF CONSIDERING SELECTIVE IMPORT LIBERALIZATION  
FOR ITEMS FOR WHICH THE DOMESTIC PRICE IS EXCESSIVELY HIGH  
AND LIBERALIZE PROVISIONS RELATING TO THE IMPORT OF SPARE  
PARTS, CERTAIN MACHINERY AND EQUIPMENT AND GOODS SOLD  
OFF-THE-FLOOR AT TRADE EXHIBITIONS. WHILE THESE  
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SPECIFIC CHANGES ARE DECIDEDLY LIMITED IN SCOPE, THEY  
HAVE BEEN PORTRAYED AS BEING THE FIRST STEP IN WHAT,  
HOPEFULLY, WILL EVENTUALLY BECOME A MUCH BROADER-  
GAUGED LIBERALIZATION OF KOREA'S ADMINISTRATIVE  
IMPORT CONTROL SYSTEM. END SUMMARY.

1. WHILE DECIDEDLY LIMITED IN SCOPE, THE ROKG MINISTRY

OF COMMERCE AND INDUSTRY RECENTLY ANNOUNCED REVISIONS IN KOREA'S TRADE PLAN FOR THE SECOND HALF OF 1977 WHICH ARE INTENDED TO BE A FIRST STEP IN WHAT, HOPEFULLY, WILL ULTIMATELY BECOME A MUCH BROADER-GAUGED DISMANTLING OF KOREA'S ELABORATE SYSTEM OF ADMINISTRATIVE IMPORT CONTROLS. A TOTAL OF 22 ITEMS UNDER 16 DIFFERENT FOUR-DIGIT CCCN (FORMERLY KNOWN AS BTN) IMPORT CLASSIFICATION CATEGORIES WERE SHIFTED FROM RESTRICTED CATEGORIES TO AUTOMATIC APPROVAL STATUS. IN ADDITION, THE DEGREE OF APPLICABLE RESTRICTION WAS EASED FOR 14 OTHER ITEMS UNDER 12 FOUR-DIGIT CCCN CATEGORIES. THE REVISIONS ALSO INCLUDE SEVERAL CHANGES IN THE GENERAL PROVISIONS FOR THE TRADE PLAN WHICH ARE INTENDED IN VARYING DEGREES TO BE LIBERALIZING MEASURES. MOREOVER, FOR THE FIRST TIME THAT EITHER WE OR ROKG OFFICIALS CAN RECALL, NO NEW IMPORT RESTRICTIONS HAVE BEEN SIMULTANEOUSLY ADDED IN ONE OF THESE SCHEDULED SEMI-ANNUAL REVISIONS OF KOREA'S BASIC ADMINISTRATIVE IMPORT/EXPORT CONTROL SYSTEM. ON THE EXPORT SIDE, SEVERAL NEW ITEMS WERE SWITCHED TO PRIOR APPROVAL CATEGORIES, BUT THOSE ARE MINOR CHANGES INTENDED PRIMARILY TO ENFORCE PRICE AND QUALITY CONTROLS FOR THE EXPORT ITEMS AFFECTED. THESE CHANGES ALL TAKE EFFECT ON JULY 1, 1977.

2. IMPORT ITEMS SHIFTED TO AUTOMATIC APPROVAL STATUS INCLUDE: VEGETABLE OILS, EPOXIDIZED SOYBEAN OIL, SULPHURIZED ANIMAL AND VEGETABLE OILS, FIRE CLAY, MULLITE, CHAMOTTE, MANGANESE ORE, SCALE WAS, PETROLEUM PRODUCTS, PETROLEUM COKE AND ASPHALT, PARAFORMALDEHYDE, UNCLASSIFIED

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PARAPHENYLETHYL, EKTAMATIC, ACRYLIC BUTADIENE STYRENE SHEET, ELECTRIC RAZOR BLADES, LIQUID METERING PUMPS, FREEZER DRYERS, AIRLESS SPRAY GUNS, DAIRY MACHINERY, AND MILLING MACHINERY.

3. NOTEWORTHY CHANGES IN THE GENERAL PROVISIONS FOR THE TRADE PALAN INCLUDE: (A) ESTABLISHING SPECIFIC AUTHORITY FOR CONSIDERING, ON A CASE BY CASE BASIS, THE LIFTING OF IMPORT RESTRICTIONS ON COMMODITIES FOR WHICH DOMESTIC PRICES SUBSTANTIALLY EXCEED WORLD PRICES; (B) EXTENDING THE AUTHORIZED PURPOSES FOR WHICH COMPONENTS AND SPARE PARTS FOR REPAIR AND MAINTENANCE MAY BE IMPORTED FROM JUST THOSE REQUIRED FOR STRATEGIC INDUSTRIES TO THOSE REQUIRED FOR GENERAL INDUSTRIAL FACILITIES; (C) ELIMINATING THE SPECIAL CONTROLS FOR IMPORT OF MACHINERY BY GOVERNMENT OR GOVERNMENT-INVESTED ENTERPRISES ABOVE AND BEYOND THOSE APPLICABLE TO ALL IMPORTERS UNDER THE TRADE PLAN; AND (D) EASING THE PROCEDURES FOR ADMINISTERING THE EXCEPTIONS TO

TRADE PLAN CONTROL AUTHORIZED FOR ITEMS DISPLAYED  
AND CONTRACTED FOR DURING EXHIBITION OF FOREIGN GOODS  
(E.G., EXHIBITIONS AT THE U.S. EMBASSY TRADE CENTER).

4. ACCORDING TO MCI DATA, FIRST HALF IMPORTS FROM ALL  
SOURCES OF THE ITEMS NEWLY SHIFTED TO AUTOMATIC APPROVAL  
STATUS TOTALED \$49 MILLION. MCI OFFICIALS HAVE NO  
ESTIMATE OF THE VALUE OF ADDITIONAL IMPORTS LIKELY TO  
RESULT FROM THE COMPLETE LIFTING OF RESTRICTIONS ON  
THESE ITEMS, BUT WE EXPECT IT WILL BE QUITE MODERATE.  
ITEMS WHICH ON PRELIMINARY ANALYSIS APPEAR TO BE OF  
SOME TRADE INTEREST TO THE U.S. INCLUDE (CCCN NUMBERS  
IN PARENTHESIS): FIXED VEGETABLE OILS (1507); MANGANESE  
ORES (2601); CERTAIN PETROLEUM PRODUCTS (2710);

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FEAE-00 OMB-01 /120 W  
-----151238Z 075954 /53

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FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 4507  
AMEMBASSY TOKYO  
AMEMBASSY TAIPEI  
AMCONSUL HONG KONG  
US MISSION GENEVA 421

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PETROLEUM COKE (2714); LIQUID METERING PUMPS (8410);  
AND FREEZER DRYERS (8417). AMONG THE ADDITIONAL  
ELEVEN ITEMS FOR WHICH IMPORT RESTRICTIONS HAVE BEEN  
EASED (AND WHOSE IMPORT, ACCORDING TO MCI OFFICIALS,  
WAS PREVIOUSLY OFTEN BANNED), THE ITEMS OF POSSIBLE U.S.  
TRADE INTEREST INCLUDE (CCCN NUMBERS IN PARENTHESIS):  
COTTON SEEH OIL (1507); CERTAIN IRON OXIDES (2823);  
ACCOUNTING MACHINES (8452); GASKETS (8464); LPG METERS  
(9026); AND PARTS OF TEMPERATURE INDICATORS AND  
MEASURING INSTRUMENTS (9029).

5. WHILE IT IS DIFFICULT TO MAKE AN ASSESSMENT AS YET, THE PEVLIONS IN THE GENERAL PROVISIONS OF THE TRADE PLAN, AS OUTLINED IN PARA 3 ABOVE, MAY ULTIMATELY BE THE MOST SIGNIFICANT OF THE CHANGES MADE. IF THE ECONOMISTS OF THE ECONOMIC PLANNING BOARD HAVE THEIR WAY, THE NEW POLICY OF ALLOWING ITEMS TO BE IMPORTED WHEN THERE IS A SUBSTANTIAL PRICE DIFFERENTIAL BETWEEN DOMESTIC AND WORLD PRICES WILL BE APPLIED QUITE LIBERALLY.  
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HOWEVER, THE DETAILS OF THE PROCEDURES TO BE USED AND THE COMMODITIES TO BE CONSIDERED HAVE YET TO BE DETERMINED AND RESISTANCE REMAINS FORMIDABLE, BOTH WITHIN AND OUTSIDE THE GOVERNMENT, TO EARLY AND MEANINGFUL LIBERALIZATION ON THIS APPROACH. WITH REGARD TO SPARE PARTS, THE TIGHT CONTROLS ON SUCH IMPORTS HAVE BEEN A LONG-STANDING PROBLEM, BUT JUST HOW MUCH RELIEF IS PROVIDED BY THE REVISION MENTIONED ABOVE WILL DEPEND UPON INTERPRETATION AND IMPLEMENTATION. MCI OFFICIALS CLAIM IT REPRESENTS A SUBSTANTIAL EASING OF PREVIOUS POLICY, BUT WE WILL HAVE TO OBSERVE THE NEW POLICY IN PRACTICE BEFORE WE CAN MAKE A JUDGMENT. THIS CHANGE, MOREOVER, DOES NOT RESOLVE THE PROBLEM THAT ONLY ENDUSERS CAN IMPORT SPARE PARTS, MEANING THAT TRADING FIRMS AND AGENTS CAN NOT MAINTAIN STOCKS OF SPARE PARTS ON HAND. WE HAVE THE SAME "WAIT AND SEE" ATTITUDE TOWARDS THE CHANGE IN POLICY FOR IMPORT OF MACHINERY BY GOVERNMENT AGENCIES AND GOVERNMENT-INVESTED ENTERPRISES. ACCORDING TO MCI, IT MEANS THAT THE SPECIAL REVIEW OF SUCH IMPORT APPLICATIONS WILL NO LONGER BE REQUIRED. ON THE SURFACE, IT IS A CHANGE FOR THE BETTER, BUT HOW MUCH PRACTICAL EFFECT IT WILL HAVE REMAINS TO BE SEEN. THE SPECIFIC NEW PROCEDURES FOR TRADE PLAN EXEMPTION FOR GOODS DISPLAYED AND CONTRACTED FOR AT EXHIBITIONS OF FOREIGN GOODS WILL BE ANNOUNCED SEPARATELY. WE UNDERSTAND FROM MCI THAT THE CHANGE WILL SIMPLY CONSIST OF AUTHORIZING THE LOCAL BANKS TO APPROVE THESE IMPORT LICENSES UNDER MCI-ISSUED GUIDELINES RATHER THAN REQUIRING REFERRAL TO MCI. THAT WOULD MEAN A LITTLE LESS RED TAPE, BUT NO BASIC CHANGE IN THE EXISTING POLICY WHICH REQUIREL THAT THE SPONSORING DIPLOMATIC MISSION OBTAIN SPECIFIC PRIOR AGREEMENT FROM MCI BEFORE PERMITTING EXHIBITION OF ANY RESTRICTED CATEGORIES OF GOODS WHICH CAN BE ACCORDED THIS "OFF-THE-FLOOR-SALE" EXEMPTION.

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6. MCI OFFICIALS CONFIRMED TO US THAT IN ADDITION TO THESE SPECIFIC CHANGES FOR THE SECOND HALF TRADE PLAN, MCI IS CONTINUING TO WORK ON A LONGER RANGE PLAN FOR IMPORT LIBERALIZATION WHICH THEY HOPE TO ANNOUNCE BY YEAR'S END. SUPPOSEDLY THAT PLAN WILL SPELL OUT A BASIC POLICY AND A GENERAL SCHEDULE FOR A BROAD-GAUGED LIBERALIZATION OF THE IMPORT CONTROL SYSTEM. AS NOW ENVISIONED, THERE WOULD BE PERIODIC ANNOUNCEMENTS OF SPECIFIC IMPORTS TO BE LIBERALIZED UNDER THE LONG-TERM PLAN WHICH WOULD SPECIFY LEAD TIMES OF AT LEAST SIX MONTHS, AND IN MANY CASES MUCH LONGER, BEFORE THEY TOOK EFFECT TO PERMIT AFFECTED DOMESTIC INDUSTRIES TO MAKE THE NECESSARY ADJUSTMENTS. SO FAR, HOWEVER, THIS LONG RANGE PLAN IS STILL LARGELY JUST A CONCEPT BEING EXPLORED AND THE HARD DECISIONS ON WHAT TO INCLUDE AND WITH WHAT KIND OF TIMING AND, IN FACT, EVEN THE DECISION TO ACTUALLY PROCEED WITH THE PLAN REMAIN TO BE MADE. MEANWHILE, ALTHOUGH HARDLY VERY DRAMATIC, THE REVISIONS FOR THE SECOND HALF TRADE PLAN ARE AT LEAST A STEP IN THE RIGHT DIRECTION.

7. ON JUNE 15TH MCI ANNOUNCED THAT IT HAD DECIDED TO LIBERALIZE THE IMPORT OF AN ADDITIONAL 20 COMMODITIES IN CONNECTION WITH THE ENFORCEMENT OF VALUE ADDED TAX ON JULY 1. MINISTRY OFFICIALS, HOWEVER, REFUSED TO COMMENT ON WHAT ITEMS WILL BE LIBERALIZED BUT CLAIMED THEY WILL RAISE IMPORTS BY \$100 MILLION. PUBLICATION OF THE ITEMS IS EXPECTED BEFORE THE END OF THE MONTH.  
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## Message Attributes

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